

The Market

Indochina index makes a turn for the better after Bank shares take the lead

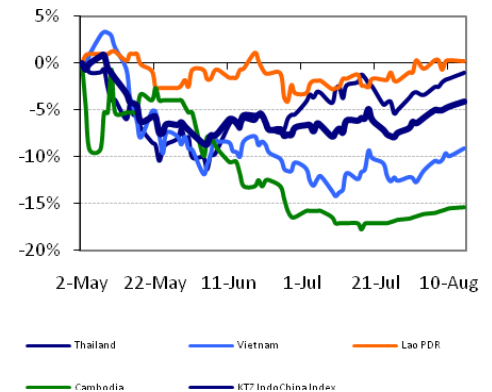
The VN index ascended slightly by 3.3 points or 0.77% to 429.47 points in line with Asian stock markets. Investors returned to buy Bank shares on the positive expectations after the VN central bank allowed lenders to raise their credit growth targets to up to 27 percent from a cap of 17 percent in a bid to boost lending and spur economic expansion. A total of 50.531 million shares worth 1.002 trillion dong were traded, or USD 48.1 million. Prices of 148 stocks went up, 68 stocks plunged while 93 stocks remained unchanged. Furthermore, MBB, PVT, GAS, VIC and MAFFP1 were the top five stocks in terms of foreign investors' buying, respectively.

For Lao PDR, the LSX Index rose by 8.14 points or 0.80% to 1,024.54 points on trading volume of 85,241 shares worth 467 million kip (USD 58,000). BCEL fell 50 kip to 7,150 kip (USD 0.89) while EDL-Gen climbed by 50 kip to 4,800 kip (USD 0.60). The Cambodian CSX index continued to be stable at 709.7 points on trading volume of 20,000 shares worth KHR 132 million (USD 32,633), with the PPWSA remaining unchanged at KHR 6,600 KHR (USD 1.63).

The News

- **Lao PDR** – Chinese railway linked to Asian neighbors
- **Myanmar** – Myanmar seeks help to build 21st century grid
- **Vietnam** – Vietnam set to see more mergers, acquisitions as reforms continue

Relative Performance



Source: Bloomberg

	Last	Chg	(%)
FTSE ASEAN	579.89	3.91	0.7%
Singapore	2,478.40	18.48	0.8%
Thailand	1,188.62	0.98	0.1%
Malaysia	1,652.90	6.58	0.4%
Indonesia	4,121.56	19.03	0.5%
Philippines	5,265.94	-5.84	-0.1%
Vietnam	429.47	3.30	0.8%
Lao PDR	1,024.54	8.14	0.8%
Cambodia	709.68	0.00	0.0%

Per USD	Last	Chg	(%)
Baht	31.43	0.00	0.1%
Dong	20,850.00	0.00	0.0%
Kip	8,033.45	20.50	0.3%
Riel	4,052.90	-10.30	-0.3%
Kyat	873.44	1.75	0.2%

Per Baht	Last	Chg	(%)
Dong	663.59	-0.21	-0.0%
Kip	255.68	0.57	0.2%
Riel	663.59	-0.21	-0.0%
Kyat	27.80	0.05	0.2%

Source: Bloomberg

Lao PDR – Chinese railway linked to Asian neighbors

The last piece of rail connecting a Chinese railway with those of its neighboring countries was put in place Tuesday by Chinese workers. The 88-mile Yuxi-Mengzi Railway is part of an international railway project, the Pan-Asia Railway, the Xinhua news agency reported. The completion of the railway links China with members of the 10-nation Association of Southeast Asian Nations organization. It begins in Kunming, the capital of Yunnan province, and connects to Vietnam, Laos, Thailand and Singapore. The \$709.78 million project required the construction of 35 tunnels and 61 bridges. It is designed for a maximum speed of 75 mph. The railway is expected to be operational later this year. *It is estimated that the developing transportation network to connect Kunming China-Northern Lao PDR and Bangkok, Thailand, will cut logistics costs and time by 60% and 45% (to 70 hours). This will lead to improving competitiveness and efficiency. Additionally, the complete network should help to strengthen intra-regional trade and the tourism industry. It should be noted that China and ASEAN have a combined population of about 1.9 billion and generated GDP of US\$ 7.4 trillion (equivalent to about half the size of the US economy).*

Myanmar – Myanmar seeks help to build 21st century grid

Myanmar has started discussions with foreign companies in a bid to transform its dilapidated national electricity grid, a vital component of the country's economic reforms. President Thein Sein earlier this year identified electricity generation and supply as a key component of a "second phase" of reforms which included providing power to 75% of the population within the next decade. This represents a hugely ambitious project that would require expanding generating capacity from 1,100 megawatts last year to more than 16,500 MW by 2022 at an estimated cost of up to US\$20 billion. "It means building a power plant with a generation capacity from 500 to 1,000 megawatts yearly," said Thein Sein. He identified hydropower, gas and coal plants as the main sources, adding that Myanmar would seek to import electricity in what appeared to be a major departure from the country's recent policy on energy. In June, Somboon Arayaskul, the acting resident of the Electricity Generating Authority of Thailand (Egat), met with Myanmar's minister of electric power supply, Khin Maung Soe, to discuss plans to move two Mitsubishi gas turbine generators from Thailand to Myanmar. The Canadian company SNC-Lavalin is already consulting for the Myanmar government as part of assessments to see whether it may invest in the power supply sector. Meanwhile, General Electric has agreed a deal to provide power-generating equipment to a hospital in Yangon and has held talks with the government to supply portable gas turbines. Thein Sein identified foreign aid and investment, likely backed by low-interest foreign loans, as the main sources of capital to fund these projects given a lack of state funds. *Currently, only about a quarter of Myanmar's population of 60 million has an electricity supply, according to UN data. The problem for Myanmar, though, is funding this rapid and costly investment. Having spent only \$3.3 billion of state funds on electricity generation and supply between 1988 and the end of the 2011 financial year in March last year, Myanmar must now invest the same amount roughly every 18 months for the next decade if it is to meet its own ambitious targets.*

Vietnam – Vietnam set to see more mergers, acquisitions as reforms continue

Mergers and acquisitions (M&A) in Vietnam can be used as a tool to support the country's economic restructuring process, said Director of the Hanoi Socio-Economic Research Institute Nguyen Minh Phong. However, an increase in M&A activities and success in this area depends very much on the speed of continued privatization of state businesses, market openness for foreign investors and pressure on local businesses to repay debts, he said. In addition, the government's plans for restructuring the economy would also influence the M&A trend to come. Last year, M&A drew the strong participation of foreign investors (both multinational corporations and private equity funds), making up 83 percent of the total M&A deals in Vietnam, with most of the foreign capital coming from Japanese investors. Two foreign banks, BNP Paribas and Maybank, became strategic partners of Phuong Dong Bank and An Binh Bank, respectively, with BNP Paribas's stake in Phuong Dong Bank reaching 15 percent and Maybank's stake in An Binh Bank at 20 percent. *M&A activities in Vietnam have grown on average by 30 percent per year in recent years, having become a remarkable investment channel for both local and foreign enterprises, according to a report released last month. It also forecasted that M&A activity would grow at over 30 percent per year in the coming years, with consumer goods, banking and finance and real estate forecast to continue being the most attractive sectors.*